

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 206 - HB 239

March 20, 2015

SUMMARY OF BILL: Creates the Second Amendment Sales Tax Holiday for sales of firearms, ammunition, and hunting supplies made from the first Friday of September through the following Sunday. Holds local governments harmless from the loss of sales tax revenue.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$259,900

Increase State Expenditures – \$106,100

Assumptions:

- Based on the United States Fish and Wildlife Service data on firearms spending in 2012, assuming an annual three percent growth rate, and assuming that Tennessee accounts for two percent of such spending, the total spending on firearms, ammunition, and hunting supplies is estimated to be \$154,090,942.
- Due to most of the hunting season opening dates taking place between September and November, sales in the month of September are estimated to be higher than the average monthly sales in any given year. To account for this, September firearm, ammunition, and hunting supply sales are increased by twenty percent.
- The average September sales, under current law, are estimated to be \$12,840,912 $[(\$154,090,942 / 12) \times 120.0\%]$. The average daily sales are estimated to be \$428,030 $(\$12,840,912 / 30)$ under current law.
- Sales are estimated to triple during the three-day sales tax holiday, mostly as a result of customers shifting their purchases to the holiday that would otherwise occur in other days in September or months close to September. Therefore, the annual sales tax holiday sales are estimated to be \$3,852,270 $(\$428,030 \times 3 \text{ days} \times 300.0\%)$.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The proposed sales tax holiday is estimated to result in a net recurring decrease in state sales tax revenue of \$259,905 $[(\$3,852,270 \times 7.0\%) - (\$3,852,270 \times 7.0\% \times 3.617\%)]$.
- The recurring increase in state expenditures for holding local governments harmless from the loss of local option and state-shared sales tax revenue is estimated to be \$106,061 $[(\$3,852,270 \times 2.5\%) + (\$3,852,270 \times 7.0\% \times 3.617\%)]$.
- Any increase in sales tax revenue as a result of tax savings being spent in the economy is estimated to be not significant.

- The Department of Revenue currently has resources for administering the annual sales tax holiday occurring each August. Any additional duties can be performed with existing staff without an increased appropriation or reduced reversion.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is written in a cursive, flowing style.

Jeffrey L. Spalding, Executive Director

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